



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 7/9/2008

GAIN Report Number: DR8018

Dominican Republic

Retail Food Sector

Private Labels

2008

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Report Highlights:

Although Private Label products in the Dominican Republic are in an emerging stage, they have a good potential for U.S. food products. Currently, they represent between five to ten percent for consumer ready food products. The largest supermarket chains have the highest potential for Private Labels. There is also good potential for small and medium-sized ones through their association. Currently, this association has thirty-two members.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Santo Domingo [DR1]
[DR]

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THE DEVELOPMENT OF PRIVATE LABELS IN THE DOMINICAN REPUBLIC

I. INTRODUCTION

Private Label products include all goods sold under a retailer's brand. In regard to the actual brand, this can be the firm's own name or a label created to be used exclusively by that retailer. In some cases, a retailer can belong to a wholesale group that owns the brand or brands that are available to only the members of the company.

This report shows the current situation of Private Labels and their outlook in the Dominican Republic. Major supermarket chains have learned about Private Labels through participating in trade shows and training in the United States and Europe. That experience has helped them to develop their own ones in the Dominican Republic. In addition to Private Labels, some stores have exclusive brands, which, for the purpose of this report, they are considered as Private Labels.

Although Private Labels in developed countries, like Europe and the United States, are well developed and the market share goes up to 40% of consumer products; in most developing countries, this concept is just emerging. In the Dominican Republic, the share of Private Labels is still small, but there is a good potential, mainly for the largest supermarket chains. Strong competition among the seven major supermarket chains is pushing them to find strategies to provide their customers with better prices and services. Private Labels is one of these powerful tools they using to compete.

II. HIGHLIGHTS ON GLOBAL TRENDS

The focus of this report is the potential for Private Labels in the Dominican Republic. For information about global trends, please see a report by the research firm ACNielsen at

http://www2.acnielsen.com/reports/documents/2005_privatelabel.pdf.

The ACNielsen report titled The Power of Private Level 2005 contains information collected in 38 countries around the world. The report answers questions such as how big is the Private Label market globally, what is happening in the developed and developing markets, where is Private Label most prevalent, and if Private Label is expanding into new categories. The study also includes a look at the history and development of a couple of very successful Private Label brands.

III. PRIVATE LABEL PRODUCTS IN THE DOMINICAN REPUBLIC

In addition to the ACNielsen research, another article titled "The Rising Power of Private Label" which can be found at <http://www.brandingstrategyinsider.com/2008/05/the-rising-powe.html>, states that there are seven stages of Private Label and that the seventh is just emerging worldwide. The Dominican Republic is currently at the first stage but is a good market for Private Label products from the United States.

The fact that the first stage of Private Labels is starting in the Dominican Republic, while in other developed countries is entering the seventh stage, means that the development will likely grow at a faster rate than in other countries. The globalization and open economies can help the Dominican Republic take advantage of the experience of those countries and piggyback on their successes in the development process.

According to industry representatives, the use of Private Labels began to develop about ten years ago (1997-1998). The growth has been exponential over the last ten years. One industry official estimated that last year in their store, the category grew by about 90%.

The use of Private Labels is estimated at about five to ten percent of consumer ready products in the Dominican Republic. With U.S. exports of consumer-ready products at \$142 million in 2007 we estimate the current U.S. share between \$7.0 and \$14 million.

Currently, all major supermarket chains in the Dominican Republic are developing a Private Label or they have, at least, an exclusive private brand. For example, Centro Cuesta Nacional, in addition to its Private Label *Lider*, has an exclusive brand from the United States, which is "Food Club". This supermarket chain has the "Food Club" brand because it is a member of the Topco cooperative, which is the owner of the brand.

There is also potential for Private Labels at small and medium-sized supermarkets in the Dominican Republic. During our study, it appeared that small and medium-sized supermarkets currently shelf a negligible amount of these products. We viewed detergent at some stores. This could be seen as a constraint. However, their willingness to learn more about working with food products represents an opportunity for U.S. suppliers.

We envision that this expansion will be precipitated through their association, which has thirty-two members nationwide. The small supermarket association currently has its own Private Label, *UNASE*, which is mainly used for non-food items and local food products

Dominican supermarket chains will continue to place more emphasis on expanding their consumer base with lower priced high quality products. The sector has found that Private Label and exclusive brands are price competitive with domestic products. This represents an excellent opportunity for U.S. suppliers. However, U.S. suppliers need to be alert of competition from Europe. Most Private Labels and exclusive brands that supermarkets shelf originate from the United States. However, Spain has entered the market also. Currently domestic manufacturers are producing brand name items. It is unlikely they will be entering the Private Label market in the near future.

During our research, we also found that the higher demand for Private Label products is derived from medium to high class families. The reason for this situation is that these classes are more educated and have more access to information. They know that these products are the same quality, or even higher, than competing commercial brands. The lower classes are more familiar with the traditional brands and are more reluctant to change.

The following table presents the major supermarket chains in the Dominican Republic and samples of their Private Labels and exclusive brands.

Table 1

MAJOR SUPERMARKET CHAINS AND THEIR PRIVATE LABELS

Supermarket Chain	Private Label Products or Exclusive Brands
Centro Cuesta Nacional (Supermercados Nacional and Jumbo)	Líder and Nacional (Private Label), Food Club (Exclusive Brand)
Grupo Ramos (Supermercados Pola)	First Class
Mercatodo (Supermercados La Cadena)	Lixto (Private Label) plus over 40 exclusive brands
Supermercados Plaza Lama	Doña Elsa (Private Label). Better Valu, Hy-Top, Picuezo (from Spain), Promos (Will be discontinued)
Supermercados Bravo	Bravo
Carrefour	Carrefour (this brand is brought from France exclusively)
Unión Nacional de Supermercados Económicos (UNASE)	UNASE

Source: FAS Research, 2008

As the largest supermarkets have the highest potential for Private Labels in the Dominican Republic, following is a profile of the major supermarket chains.

Table 2

PROFILE OF THE MAJOR SUPERMARKETS

Name of Retailer	Ownership	Outlets	Location	Purchasing Agent
Supermercados Nacional (Including 3 Jumbo Hypermarkets)	Dominican/Spain	21	Santo Domingo, Santiago, La Romana	Direct importers Wholesalers/Distributors
Supermercados Pola	Dominican/Spain	15	Santo Domingo, Santiago San Francisco de Macoris	Direct importers Wholesalers/Distributors
Supermercados La Cadena	Dominican/Spain	7	Santo Domingo	Direct importers and distributors
Supermercados Plaza Lama	Dominican/Spain	4	Santo Domingo	Direct importers and distributors
Supermercados Bravo	Dominican/Spain	4	Santo Domingo	Direct importers and distributors
Price Smart Warehouse	US	2	Santo Domingo, Santiago	Direct importers and distributors
Carrefour	French	1	Santo Domingo	Direct importers and distributors
National Association of Small Supermarkets (UNASE)	Dominican	34 members	Major Cities	Direct importers and distributors

Source: FAS/Post Internal Research

Supermercados Nacional

Supermercados Nacional is the largest supermarket chain in the Dominican Republic. It has twenty-one stores, including three “Jumbo”, located in the cities of Santo Domingo, Santiago and La Romana. This chain is the pioneer of the Dominican supermarket business. Centro Cuesta Nacional (CCN) manages the chain, which has its own procurement and distribution center to source products and supplies the stores.

Centro Cuesta Nacional also has “La Despensa” to target the lower-income population. Currently, La Despensa has six outlets. The plan is to transform the La Despensa stores in a concept similar to the “Jumbo” stores, but smaller.

The Supermercados Nacional stores are modern and spacious. The outlet in La Romana is located inside Casa de Campo, one of the most exclusive resorts in the country. Because of the nature of this outlet’s location, it carries a lot of gourmet products that are not usually

found in the other outlets. Its private label brands are Flovorite, Nutri Plan, Home Best, and Shopper's Valu.

Supermercados Pola

This is the second largest supermarket chain in the country. The chain is owned by the Ramos Business Group (Grupo Ramos). Supermercados Pola has 15 outlets located in Santo Domingo and Santiago. Importadora Oceanica is the company within Grupo Ramos that handles imports and distribution of food and beverage products. This company works almost the same way as Centro Cuesta Nacional and also has exclusive representation of different brands. It sells its products through Supermercados Pola and supplies other retailers, as well.

Supermercados La Cadena

This supermarket chain was established in 1999 after some of the members of the Ramos family, owners of Supermercados Pola, decided to start their own supermarket chain. The chain currently has seven outlets in Santo Domingo. The supermarkets are owned and managed by Mercatodo, S.A.

Supermercados Bravo

The owner of Supermercados Bravo was one of the founders and owners of Supermercados Pola. With that experience in the food sector, he decided to start his own import business, BEMOSA. Later, in the 1997, he decided to go back to the supermarket business and established Supermercados Bravo. The first store was inaugurated in 1998. Currently, Supermercados Bravo has four stores in Santo Domingo and plans to open two additional ones in two years.

Supermercados Plaza Lama

The original focus of the Plaza Lama store was as a retailer of appliances, shoes, and clothing. In 1991, they added dry food products to provide additional services to the customers. The first real supermarket with full lines of grocery and frozen products was established in 1995. Another supermarket and a mini market were opened in 1999.

In 2001, Plaza Lama opened a centerpiece-shopping complex in one of the main commercial areas of Santo Domingo. The plaza included the largest supermarket of the Plaza Lama's chain and it includes a deli and a gourmet product section. Currently, the chain has four supermarkets and a mini market all located in Santo Domingo. The plan is to open two more stores next year. The supermarket portion of the Plaza Lama business is currently the second largest department following appliances. It seems likely that supermarkets will evolve into the main business in the near future.

IV. MARKET ENTRY CONSIDERATIONS

In general, the best way to enter the Dominican market is through a local importer/distributor. However, for Private Labels, it is different. Supermarket chains develop their own brands, and they import the products directly. Therefore, the best way to enter the market is to contact the major supermarket chains or the supermarket association directly.

The previous table presents the major supermarket chains in the country. For further information on those chains, please see out Retail Food Sector Report DR7024 at <http://www.fas.usda.gov/gainfiles/200711/146292982.pdf>. The FAIRS Country Report (DR7019) at <http://www.fas.usda.gov/gainfiles/200708/146291999.pdf> and the Exporter Guide (DR7020) at <http://www.fas.usda.gov/gainfiles/200709/146292376.pdf> also have additional information on import regulations, standards, and Dominican business practices. These reports are updated once a year or every two years depending on the changes on the market conditions.

V. BEST PROSPECTS

According to the data gathered from supermarket representatives the products with the highest potential for Private Labeling in the Dominican market are the following: breakfast cereals, canned products (grains, fruit, and vegetables), and fruit juice. However, there are many other products that could be manufactured either in the Dominican Republic or in the United States.

VI. POST CONTACT AND FURTHER INFORMATION

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